

Message Text

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41

ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 SP-02 USIA-15 AID-05 EB-07 NSC-05

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FM AMEMBASSY LUXEMBOURG

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INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION MTN GENEVA

UNCLAS LUXEMBOURG 1131

E.O. 11652: NA

TAGS: ECON, EMIN, LAB, LU

SUBJ: STEEL INDUSTRY SCHEDULES CUTBACKS - UNIONS UNHAPPY AND

UNCONVINCED

SUMMARY: THE ARBED STEEL GROUP, THE DOMINANT FORCE IN THE LUXEMBOURG ECONOMY, HAS ANNOUNCED IMMEDIATE CUTBACKS, INCLUDING THE SHUT-DOWN OF A MAJOR BLAST FURNACE AND A REDUCTION FROM THREE TO TWO SHIFTS AT THE COMPANY'S TWO LARGEST STEEL WORKS. OVERALL, ARBED STEEL PRODUCTION HAS BEEN OPERATING FOR MONTHS AT ABOUT 50-60 PERCENT OF CAPACITY. (MMRA, WHICH PRODUCES 10 PERCENT OF LUXEMBOURG'S STEEL, COMPARED TO ARBED'S 90 PERCENT, HAS BEEN OPERATING AT COMPARABLE LEVELS.) ARBED'S ORDER BOOKS CONTINUE AT A DISMAL LEVEL AND ARE NOW ESTIMATED AT ONLY THREE WEEKS' NORMAL PRODUCTION. THIS HAS FORCED ARBED TO TAKE EMERGENCY MEASURES.

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THE LABOR UNIONS CONTEST THE COMPANY'S ASSESSMENT THAT

DETERIORATING CONDITIONS REQUIRE IMMEDIATE IMPLEMENTATION OF SUCH MEASURES. A TOTAL OF 1,100 WORKERS WILL BE AFFECTED. 400-500 WERE ALREADY SCHEDULED FOR A JAN. 1, 1977, SHIFT FROM PRODUCTION WORK TO SPECIAL MAINTENANCE AND REPAIR PROJECTS WITHIN THE MILLS. A FURTHER 600-700 WILL NOW BE TRANSFERRED TO PUBLIC WORK PROJECTS FUNDED BY THE GOL. THE UNIONS PLAN A DEMONSTRATION ON DECEMBER 18 TO VOICE THEIR PROTEST AND TO URGE ARBED TO RE-THINK ITS ACTIONS IN COPING WITH AN ACKNOWLEDGED INDUSTRY CRISIS. END SUMMARY.

1. THE LUXEMBOURG STEEL INDUSTRY, ONE OF THE WORST HIT IN 1975 BY THE RECESSION, HAS REGISTERED NO UPTURN IN 1976. FURTHERMORE, PROSPECTS FOR 1977 GIVE NO CAUSE FOR OPTIMISM. IN ADDITION TO THE OBVIOUS IMPACT ON LUXEMBOURG'S GNP AND TRADE -- STEEL ACCOUNTS FOR 30 PERCENT OF TOTAL GNP AND 95 PERCENT OF PRODUCTION IS EXPORTED -- THE STEEL CRISIS NOW THREATENS THE LONG-STANDING LUXEMBOURG TRADITION OF FULL EMPLOYMENT AND LABOR/MANAGEMENT HARMONY.

2. AN ARBED CONTRACT IS CONFIDENT THAT THE LABOR UNIONS WILL NOT PROVOKE STRIKES AND WILL BEHAVE REASONABLY IN VIEW OF THE HARSH ECONOMIC FACTS CONFRONTING THE COMPANY. A LABOR UNION OFFICIAL GRANTED THE SEVERITY OF THE STEEL CRISIS AND THE INADEQUACY OF TRADITIONAL SOLUTIONS IN THE PRESENT SITUATION. HE CRITICIZED ARBED, HOWEVER, FOR SOMEWHAT PRECIPITATE ACTION AND FOR PRESENTING THESE EMERGENCY MEASURES AS A VIRTUAL FAIT ACCOMPLI AT THE RECENT SPECIAL SESSION OF THE JOINT LABOR-MANAGEMENT COMMITTEE. HE ALSO DETECTED A CHANGE IN MANAGEMENT'S ATTITUDE, THE USUAL GOOD RAPPORT BEING SOURD SOMEWHAT BY UNWELCOME ABRUPTNESS.

3. A GOL SPOKESMAN STATED THAT DECISIONS ON THE RESOLUTION OF THIS PROBLEM WILL BE TAKEN AT THE HIGHEST POLITICAL LEVEL. THE PUBLIC WORKS PROGRAM APPROACH USED LAST WINTER BY THE GOL FOR OTHERWISE UNEMPLOYED STEELWORKERS NOW SEEMS TOO COSTLY FOR THE HARD-HIT NATIONAL TREASURY. A REDUCED WORK WEEK SUPPLEMENTED BY GOVERNMENT BENEFITS WOULD BE A LESS EXPENSIVE METHOD AND ALSO KEEP MORE WORKERS AT THE MILLS, BUT THE UNIONS, IT SEEMS, UNCLASSIFIED

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ARE NOT RECEPTIVE TO THIS IDEA.

4. THE QUEST FOR A VIABLE SOLUTION REQUIRE DEEP MUTUAL TRUST AS WELL AS IMAGINATION. THE UNIONS ARE FULLY AWARE THAT ARBED IS A MULTI-NATIONAL COMPANY (FRENCH, BELGIAN, GERMAN, LUXEMBOURG) AND NOT MERELY A PILLAR OF THE LUXEMBOURG ECONOMY AND SOCIETY. UNREASONABLENESS IS CLEARLY IN NO ONE'S INTEREST. ALL PARTIES ARE

AWAR THAT THEY MUST SEEK A SOLUTION WHICH WILL NOT JEOPARDIZE
THE LONG-RUN EXISTENCE OF THE VITAL INDUSTRY. PHILLIPS

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